

Financial Statements and Required  
Supplementary Information

**City of Shepherdsville, Kentucky**

June 30, 2025



Financial Statements and Required  
Supplementary Information

**City of Shepherdsville, Kentucky**

June 30, 2025

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## **The City of Shepherdsville, Kentucky**

As of and for the Year Ended June 30, 2025

### **Transmittal Letter**

City Council and Citizens of Shepherdsville  
Shepherdsville, Kentucky

#### **The Annual Comprehensive Financial Report**

The Annual Comprehensive Financial Report ("ACFR") of the City of Shepherdsville, Kentucky (the "City"), for the fiscal year ended June 30, 2025, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The ACFR is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes, under the new Governmental Accounting Standards Board Statement No. 34 as amended, the Report of Independent Auditors, management's discussion and analysis, the basic government-wide financial statements, the fund financial statements, the notes to the financial statements and the required supplementary information.

The City of Shepherdsville is located in Bullitt County, Kentucky. The City is a home rule municipal corporation organized on December 11, 1793, under the laws of the Commonwealth of Kentucky, and as such, operates under its own charter. The City government consists of a mayor and six (6) city council members. The mayor serves a four (4) year term. Council members serve a two (2) year term.

For financial reporting purposes, the City includes in this report all funds, agencies, boards and other commissions that are controlled by the City or dependent on the City's legislative branch. "Controlled by" or "dependent on" is determined on the basis of the budget adoption, taxing authority, outstanding debts secured by revenues or general taxing authority of the City, and the City's obligation to fund any deficits that may occur.

The City provides a full range of municipal services. These services include fire and police protection, park and recreation programs, streets, sidewalks and roads maintenance and a sewer system.

LBMC audited the financial statements and the related notes of the City of Shepherdsville, Kentucky. As stated in the auditors' report, the audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.


We wish to acknowledge the employees of the City of Shepherdsville who are the City's most valuable asset. These individuals serve productively throughout City operations. They continuously provide quality services to the citizens of Shepherdsville, Kentucky.

Respectively submitted:



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Mayor



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City Clerk

**The City of Shepherdsville, Kentucky  
Governmental Directory  
City Clerk's Office**

Post Office Box 400  
634 Conestoga Parkway  
Shepherdsville, KY 40165

Telephone: 502/543-2923 ~ 502/543-6201 (facsimile)

City Council meetings held 2nd and 4th Monday of each month at 6:00PM (EST)

**City of Shepherdsville Officials**

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Jose Cubero	December 31, 2026
Council Member	Robert Adams	December 31, 2026
Council Member	Bonnie Enlow	December 31, 2026
Council Member	Mike Hibbard Sr.	December 31, 2026
Council Member	Jennifer Mendez	December 31, 2026
Council Member	Faith Portman	December 31, 2026
Council Member	Brad Whittaker	December 31, 2026
City Clerk	Brenda Weidekamp	
Deputy City Clerk/Flood Plain Coordinator	Jaclyn "Nickie" Newton	
Finance Director	Angela Middaugh	
Asst Finance Director	Hollie Perkins	
Fire Chief	Joseph "Jody" Craig	
Fire Marshall	Theodore "Ted" Calvert	
Police Chief	Stephen Schmidt	
(Wastewater) Operations Manager	Randale "Scott" Fleming	
Engineer	Arthur Jones	
Public Works Director	Gerald "Tom" LaFollette	
Alcoholic Beverage Control (ABC) Officer	Joseph Fleming	
Civil Service Commission Chair	Kevin Robinson	



## Independent Auditors' Report

To the Mayor  
City of Shepherdsville, Kentucky  
Shepherdsville, Kentucky

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Shepherdsville, Kentucky (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities and the business-type activities, and each major fund of the City as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and *Governmental Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Change in Accounting Principles

As discussed in Note R to the financial statements, effective July 1, 2024, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinion is not modified with respect to these matters.

#### Correction of an Errors

As disclosed in Note S to the financial statements, the City discovered that accumulated depreciation for the year ended June 30, 2024 was understated. Additionally, the City discovered that fund balance was understated due to the incorrect recording of restricted revenues from an opioid settlement. Adjustments to beginning net position has been recorded. Our opinion is not modified with respect to these matters.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit for the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

GAAP requires that the management's discussion and analysis, on pages 8 through 15, budgetary comparison information on page 64 and the pension and other postemployment benefit liability and contribution information on pages 65 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulation* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 80, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**L B M C, P C**

Louisville, Kentucky  
April 21, 2026

## Management's Discussion and Analysis

### City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2025

As management of the City of Shepherdsville, Kentucky (the "City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City as of June 30, 2025 and for the fiscal year then ended. We encourage the readers to read information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

#### Financial Highlights

- The ending cash and equivalents balances for the City and the Sewer Department were approximately \$31.5 million and \$8.8 million, respectively.
- The ending net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) for the City and the Sewer Department were approximately \$12.7 million and \$36.9 million, respectively.
- Overall net position of the City increased approximately \$6.7 million from operations and \$38 thousand from a restatement of net position from \$42.9 million at June 30, 2024 to \$49.6 million at June 30, 2025.
- General fund revenues before other financing sources and uses, of \$28.5 million were lower than expenditures of \$42.3 million for the year ended June 30, 2025. This represents a deficiency of revenue over expenses of approximately \$13.8 million.
- Long-term debt (bonds, leases, and notes) for the general fund was reduced by approximately \$1.2 thousand during the year ended June 30, 2025. The sewer fund was reduced by approximately \$1.0 million during the year ended June 30, 2025. The City's total balance of bonds and notes payable and leases at June 30, 2025 totaled approximately \$44.8 million.
- The City has recorded a net pension liability for the City's proportionate share of the County Employees' Retirement System (CERS) net pension liability at June 30, 2025 of \$23.8 million. This is an increase from the prior year of approximately \$600 thousand.
- The City has recorded a net Other Post-Employment Benefit Obligation (OPEB) liability for the City's proportionate share of the County Employees' Retirement System (CERS) net OPEB liability at June 30, 2025 of \$890 thousand. This represents a decrease of \$72 thousand from the prior year.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements as of June 30, 2025 and for the fiscal year then ended. The City's financial statements consist of three (3) components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The basic financial statements present two (2) different views of the City through the

## Management Discussion and Analysis--Continued

### City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2025

use of government-wide financial statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

#### **Required Components of Annual Financial Report**

##### **Basic Financial Statements**

The first two (2) statements in the basic financial statements are the **government-wide financial statements**. They provide both short-term and long-term information about the City's financial status.

The next statements are **fund financial statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide financial statements. There are three (2) parts to the funds financial statements: 1) the governmental funds financial statements and 2) the propriety financial statements.

The next section of the basic financial statements is the notes section. The notes to the financial statements explain in detail some of the data contained in these financial statements. After the notes section, required supplementary information is provided, which contains budgetary comparison statement for the general fund and certain required pension and OPEB schedules.

##### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances similar to the financial statements of a private - sector business. The government-wide financial statements provide short and long - term information about the City's financial status as a whole.

The first of these government-wide statements is the Statement of Net Position. This is the government-wide statement of net position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the City's infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

## Management Discussion and Analysis--Continued

### City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2025

The government-wide financial statements are divided into two (2) categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the City's basic services for residents such as public safety (fire and police protection), public works (streets, roads and sidewalks maintenance), parks and recreation, and general administration. Property taxes, franchise and license fees and occupational tax revenues finance most of these activities. The business-type activity is one that the City charges consumers to provide. This includes sewer service for City residents and businesses.

The government-wide financial statements are reported on pages 16 and 17.

#### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Shepherdsville, Kentucky, like all other governmental entities in Kentucky, uses fund accounting to ensure and reflect compliance with finance related legal requirements, such as the City's general budget ordinances. All of the funds of the City of Shepherdsville, Kentucky can be divided into two (2) categories: governmental funds, and proprietary fund.

Governmental Fund--Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted in the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left over at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting* which gives the reader a short - term spending focus. As a result, the governmental fund financial statements give the reader a detailed short - term view that helps determine if there are more or less financial resources available to finance City programs. The relationship between the City's governmental activities (as reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City adopts an annual budget for its general fund as required by Kentucky Revised Statutes ("KRS"). The budget is a legally adopted document that incorporates input from the residents of the City, the management of the City and the decisions of the City Council about which services to provide and how to pay for the services. It also authorizes the City to obtain funds from other sources to finance these correct period items. The budgetary financial statement provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison financial statement uses budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget documents. The financial statement shows four (4) columns: 1) the original budget as adopted by the council, 2) the final budget as amended by the city council, 3) the actual resources, charges to appropriations and ending balances of the general fund, and 4) the differences or variance between the final budget and the actual resources and charges.

Management Discussion and Analysis--Continued

**City of Shepherdsville, Kentucky**

As of and For the Year Ended June 30, 2025

Proprietary Fund--The City has one proprietary fund. The *Sewer Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Shepherdsville, Kentucky uses the enterprise fund to account for sewer operations. These funds are the same as those functions shown in the business-type activities in the statement of net position and statement of activities.

Notes to the Financial Statements--The notes to the financial statements provide additional information to the reader that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 25 of this report.

Independence with Other Entities--The City receives financial assistance (resources) from both the federal government and the Commonwealth of Kentucky. Because of this the City is subject to changes in specific flows of intergovernmental revenues based upon modifications to federal and state laws and federal and state appropriations.

**Government-Wide Financial Analysis**

**Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024 as restated	2025	2024 as restated	2025	2024 as restated
Current and other assets	\$ 37,722,733	\$ 47,007,346	\$ 9,779,725	\$ 10,361,801	\$ 47,502,458	\$ 57,369,147
Capital assets	38,687,251	20,985,196	41,399,563	40,155,540	80,086,814	61,140,736
<b>Total Assets</b>	<b>\$ 76,409,984</b>	<b>\$ 67,992,542</b>	<b>\$ 51,179,288</b>	<b>\$ 50,517,341</b>	<b>\$ 127,589,272</b>	<b>\$ 118,509,883</b>
Deferred Outflows of Resources	\$ 9,712,220	\$ 10,039,975	\$ 641,152	\$ 618,840	\$ 10,353,372	\$ 10,658,815
Current liabilities	\$ 6,112,621	\$ 3,491,214	\$ 255,117	\$ 1,325,140	\$ 6,367,738	\$ 4,816,354
Long-term liabilities	57,441,159	55,579,207	13,988,461	13,852,254	71,429,620	69,431,461
<b>Total Liabilities</b>	<b>\$ 63,553,780</b>	<b>\$ 59,070,421</b>	<b>\$ 14,243,578</b>	<b>\$ 15,177,394</b>	<b>\$ 77,797,358</b>	<b>\$ 74,247,815</b>
Deferred Inflows of Resources	\$ 9,853,958	\$ 11,325,151	\$ 687,334	\$ 812,855	\$ 10,541,292	\$ 12,138,006
Net Position						
Net investment in capital assets	\$ 7,538,820	\$ 48,667,202	\$ 28,945,522	\$ 26,689,091	\$ 36,484,342	\$ 75,356,293
Restricted	19,108,387	27,572,880	3,120,818	3,030,011	22,229,205	30,602,891
Unrestricted	(13,932,741)	(68,603,137)	4,823,188	5,426,830	(9,109,553)	(63,176,307)
	<b>\$ 12,714,466</b>	<b>\$ 7,636,945</b>	<b>\$ 36,889,528</b>	<b>\$ 35,145,932</b>	<b>\$ 49,603,994</b>	<b>\$ 42,782,877</b>

As noted earlier, net position may serve over time as one of the useful indicators of a government's financial condition. The combined assets and deferred outflows of resources of the City exceeded the liabilities and deferred inflows of resources by approximately \$49.6 million as of June 30, 2025. The City's net position increased by approximately \$6.7 million for the fiscal year ended June 30, 2025. Capital assets of the City

Management Discussion and Analysis--Continued

City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2025

increased by approximately \$17.9 million due to additions, which exceeded depreciation for the year. The City uses capital assets to provide services (fire and police protection, City parks, street, roads and sidewalks maintenance) for residents of the City. Therefore, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay the debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. Long-term debt liabilities (excluding compensated absences and the net pension / OPEB liabilities) decreased by approximately \$2.3 million during fiscal year ended June 30, 2025.

**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024 as restated	2025	2024 as restated	2025	2024 as restated
<b>Program Revenue</b>						
Charges for services			\$ 7,765,889	\$ 6,327,387	\$ 7,765,889	\$ 6,327,387
Operating grants and contributions	\$ 1,809,198	\$ 1,502,110			1,809,198	1,502,110
Capital grants and contributions	262,270	280,077			262,270	280,077
<b>General Revenues</b>						
Property taxes	3,740,109	3,414,037			3,740,109	3,414,037
Occupational taxes	18,093,244	18,193,230			18,093,244	18,193,230
Fees, licenses and permits	587,123	204,669			587,123	204,669
Insurance premium tax	1,839,351	1,993,810			1,839,351	1,993,810
Motor vehicle taxes	195,367	193,118			195,367	193,118
Telecommunications tax	77,660	84,115			77,660	84,115
Franchise taxes	134,880	116,995			134,880	116,995
Rent income	164,989	99,321			164,989	99,321
Other income	172,973	155,658	16,235	177,564	189,208	333,222
Interest income	1,684,538	1,807,932	316,328	221,036	2,000,866	2,028,968
Opioid settlement proceeds	49,430				49,430	
Loss on sale or disposal of capital assets	(208,025)	(24,855)			(208,025)	(24,855)
<b>Total Revenues</b>	<b>28,603,107</b>	<b>28,020,217</b>	<b>8,098,452</b>	<b>6,725,987</b>	<b>36,701,559</b>	<b>34,746,204</b>
<b>Expenses</b>						
General government	4,420,005	3,344,794			4,420,005	3,344,794
Fire department	7,310,426	6,789,803			7,310,426	6,789,803
Police department	6,872,892	6,517,076			6,872,892	6,517,076
Public works department	3,342,281	2,718,904			3,342,281	2,718,904
Municipal aid - streets	363,478	203,602			363,478	203,602
Interest on long-term debt	1,324,093	1,647,482			1,324,093	1,647,482
Sewer services			6,354,856	5,431,996	6,354,856	5,431,996
<b>Total Expenses</b>	<b>23,633,175</b>	<b>21,221,661</b>	<b>6,354,856</b>	<b>5,431,996</b>	<b>29,988,031</b>	<b>26,653,657</b>
<b>Change in Net Position</b>	<b>\$ 4,969,932</b>	<b>\$ 6,798,556</b>	<b>\$ 1,743,596</b>	<b>\$ 1,293,991</b>	<b>\$ 6,713,528</b>	<b>\$ 8,092,547</b>

**Governmental Activities**

Total revenue increased approximately \$583 thousand or 2.1% for governmental activities, primarily driven by increases in property taxes of 10%. City departments experienced an increase in operating expenses of approximately \$2.4 million or 11.4%.

Management Discussion and Analysis--Continued

**City of Shepherdsville, Kentucky**

As of and For the Year Ended June 30, 2025

**Business-type Activities**

Operating revenue related to sewer charges for services offered by the City increased approximately \$1.4 million or 22.7% for fiscal year ended June 30, 2025. Primarily due to an increase in charges for services of \$1.4 million. Expenses for sewer services increased approximately \$923 thousand or 17%.

**Capital Asset and Debt Administration**

**Capital Assets**

The City's total investment in capital assets for its governmental and business-type activities as of June 30, 2025 totals approximately \$80.1 million (net of depreciation). These assets include buildings, infrastructure (streets, roads, sewer lines/system, and sidewalks) land, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the fiscal year include the following:

1. Construction in process for the following projects:
  - a. General project - \$16.4million
  - b. Sewer projects - \$681 thousand
2. Vehicles - \$(1.9 million)
3. General infrastructure- \$472 thousand
4. Additional information on the City's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

**Governmental Activities**

As of June 30, 2025, the City had a total debt outstanding of \$31.1 million reported for governmental activities.

The City of Shepherdsville is required by Government Accounting Standards Board Statement No. 68 and No. 75 to begin reporting in its financial statements the City's proportionate share of the unfunded pension and OPEB liabilities of the City related to the City's participation in CERS. See notes M and N to the financial statements.

## Management Discussion and Analysis--Continued

### City of Shepherdsville, Kentucky

As of and For the Year Ended June 30, 2025

The amount of the unfunded pension liability allocated to the City of Shepherdsville by the Kentucky Retirement System is \$23.8 million. The amount of the unfunded OPEB liability allocated to the City of Shepherdsville by the Kentucky Retirement System is \$848 thousand.

The net pension and OPEB liabilities are presented as non-current liabilities as of June 30, 2025 and represent an allocation of the unfunded pension and OPEB liabilities, respectively, of the Kentucky Retirement System measured as of June 30, 2024.

#### **Business-type Activities**

As of June 30, 2025, the City had \$12.5 million long-term debt for the Sewer Fund. The City is prohibited from making early payments to retire the debts.

The reserve and replacement sinking funds required by three (3) of the bonds are fully funded as of June 30, 2025.

The sewer fund did not acquire any new debt during fiscal year end June 30, 2025.

#### **Economic Factors, Next Year's Budget and Tax Rates**

The following key economic indicators reflect the growth and prosperity of the City of Shepherdsville, Kentucky:

1. Future job growth over the next ten years is expected to be 38.9%.
2. Unemployment rate: The unemployment rate for the Commonwealth of Kentucky at June 2025 remained at 4.9%. The unemployment rate for Bullitt County June 2025 was at 4.4%.
3. The median household income in Bullitt County is \$77,640.
4. Interstate 65 is a major highway that runs north and south through the City. There are three (3) exits off the interstate into the City. Large industrial parks have been developed around these exits. The City partnered with the Kentucky Department of Transportation to construct major improvements at Exit 116 on I-65 in Shepherdsville. The improvements to the exit ramps and the addition of another road have improved traffic flow on and off the ramps at Exit 116.
5. The City is 17 miles from the Louisville International Airport which is a major transportation hub for United Parcel Service (UPS) and FedEx.
6. The cost of living in Shepherdsville, Kentucky is slightly more than Kentucky and less than the national average (95 vs. 100.0).

Management Discussion and Analysis--Continued

**City of Shepherdsville, Kentucky**

As of and For the Year Ended June 30, 2025

7. The real estate property tax for 2025 (due November 1, 2025) decreased to \$0.1161 per \$100 of assessed value.

**Budget Highlights for the Fiscal Year Ended June 30, 2025**

**Governmental Activities**

The City did not amend its original annual budgets (General Fund, Sewer Fund and Municipal Aid Fund), for fiscal year ended June 30, 2025. Generally, if required, budget amendments fall into one of three (3) categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants, and 3) increases in appropriations that become necessary to maintain services.

**Request for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information contained herein or request for additional information should be directed to the Finance Director, 634 Conestoga Pkwy, Shepherdsville, Kentucky 40165. One can also call (502) 215-1529 and request to speak with the Finance Director.

Please visit our website at [www.Shepherdsville.gov](http://www.Shepherdsville.gov)

## **Government-Wide Financial Statements**

Statement of Net Position

City of Shepherdsville, Kentucky

June 30, 2025

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 14,884,833	\$ 5,747,069	\$ 20,631,902
Restricted cash and cash equivalents	16,651,047	3,120,818	19,771,865
Receivables, net	6,129,018	1,477	6,130,495
Unbilled receivables, net		460,787	460,787
Internal balances	(4,399)	4,399	
Due from Louisville Water Company		403,685	403,685
Net OPEB asset - CERS Non-Hazardous	62,234	41,490	103,724
Non-depreciable capital assets	23,880,327	1,744,223	25,624,550
Depreciable capital assets, net	<u>14,806,924</u>	<u>39,655,340</u>	<u>54,462,264</u>
<b>Total Assets</b>	<b>76,409,984</b>	<b>51,179,288</b>	<b>127,589,272</b>
<b>Deferred Outflow of Resources</b>			
CERS - Pension- Non-Hazardous	738,104	492,069	1,230,173
CERS - Pension- Hazardous	6,482,555		6,482,555
CERS - OPEB - Non-Hazardous	223,625	149,083	372,708
CERS - OPEB - Hazardous	<u>2,267,936</u>		<u>2,267,936</u>
<b>Total Deferred Outflows</b>	<b>9,712,220</b>	<b>641,152</b>	<b>10,353,372</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 86,122,204</b>	<b>\$ 51,820,440</b>	<b>\$ 137,942,644</b>
<b>Liabilities</b>			
Accounts payable	\$ 4,720,507	\$ 175,024	\$ 4,895,531
Accrued expenses	1,244,863	67,867	1,312,730
Accrued interest	135,251	12,226	147,477
Deposits	12,000		12,000
Lease obligations	1,205,964		1,205,964
Accrued compensated absences	1,777,454	99,621	1,877,075
Bonds payable	29,308,818	2,125,000	31,433,818
Notes payable	1,839,613	10,329,041	12,168,654
Net pension liability - CERS Non-Hazardous	2,152,199	1,434,799	3,586,998
Net pension liability - CERS Hazardous	20,205,291		20,205,291
Net OPEB liability - CERS Hazardous	<u>951,820</u>		<u>951,820</u>
<b>Total Liabilities</b>	<b>63,553,780</b>	<b>14,243,578</b>	<b>77,797,358</b>
<b>Deferred Inflows of Resources</b>			
CERS - Pension- Non-Hazardous	383,420	255,613	639,033
CERS - Pension - Hazardous	3,336,427		3,336,427
CERS - OPEB - Non-Hazardous	647,582	431,721	1,079,303
CERS - OPEB- Hazardous	<u>5,486,529</u>		<u>5,486,529</u>
<b>Total Deferred Inflows</b>	<b>9,853,958</b>	<b>687,334</b>	<b>10,541,292</b>
<b>Net Position</b>			
Net investment in capital assets	7,538,820	28,945,522	36,484,342
Restricted for:			
Municipal Street Fund	253,426		253,426
Debt service		314,902	314,902
Construction	18,854,961	2,805,916	21,660,877
Unrestricted	<u>(13,932,741)</u>	<u>4,823,188</u>	<u>(9,109,553)</u>
<b>Total Net Position</b>	<b>12,714,466</b>	<b>36,889,528</b>	<b>49,603,994</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Pension</b>	<b>\$ 86,122,204</b>	<b>\$ 51,820,440</b>	<b>\$ 137,942,644</b>

See Notes to Financial Statements

Statement of Activities

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Primary Governmental Activities	Net Revenue (Expense) and Changes in Net Position Government Business-Type Activities	Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<b>Governmental Activities</b>							
General Government							
General government	\$ 4,420,005		\$ 1,277,088		\$ (3,142,917)		\$ (3,142,917)
Fire department	7,310,426		287,829		(7,022,597)		(7,022,597)
Police department	6,872,892		244,281		(6,628,611)		(6,628,611)
Public works department	3,342,281				(3,342,281)		(3,342,281)
Municipal aid - streets	363,478			\$ 262,270	(101,208)		(101,208)
Interest on long-term debt	1,324,093				(1,324,093)		(1,324,093)
<b>Total Governmental Activities</b>	<b>\$ 23,633,175</b>	<b>\$ -</b>	<b>\$ 1,809,198</b>	<b>\$ 262,270</b>	<b>\$ (21,561,707)</b>		<b>\$ (21,561,707)</b>
<b>Business-Type Activities</b>							
Sewer services	\$ 6,354,856	\$ 7,765,889				\$ 1,411,033	\$ 1,411,033
<b>General Revenues</b>							
Property taxes				\$ 3,740,109			\$ 3,740,109
Occupational taxes				18,093,244			18,093,244
Fees, license and permits				587,123			587,123
Insurance premium tax				1,839,351			1,839,351
Motor vehicle taxes				195,367			195,367
Telecommunications tax				77,660			77,660
Franchise taxes				134,880			134,880
Rent income				164,989			164,989
Other income				172,973	\$ 16,235		189,208
Interest income				1,684,538	316,328		2,000,866
Opioid settlement proceeds				49,430			49,430
Loss on sale or disposal of capital assets				(208,025)			(208,025)
<b>Total General Revenues</b>				<b>26,531,639</b>	<b>332,563</b>		<b>26,864,202</b>
<b>Change in Net Position</b>				<b>4,969,932</b>	<b>1,743,596</b>		<b>6,713,528</b>
<b>Net Position, as previously stated</b>				<b>8,335,037</b>	<b>34,517,797</b>		<b>42,852,834</b>
<b>Restatement (Note S)</b>				<b>(590,503)</b>	<b>628,135</b>		<b>37,632</b>
<b>Net Position, Beginning, as restated</b>				<b>7,744,534</b>	<b>35,145,932</b>		<b>42,890,466</b>
<b>Net Position, Ending</b>				<b>\$ 12,714,466</b>	<b>\$ 36,889,528</b>		<b>\$ 49,603,994</b>

See Notes to the Financial Statements

## **Fund Financial Statements**

Balance Sheet - Governmental Funds

City of Shepherdsville, Kentucky

June 30, 2025

	<b>General Government Fund</b>	<b>Non-Major Municipal Aid Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents			
Cash and cash equivalents	\$ 14,884,833		\$ 14,884,833
Cash, restricted	16,397,621	\$ 253,426	16,651,047
Receivables, net	6,129,018		6,129,018
Due from other governmental fund		126,300	126,300
<b>Total Assets</b>	<b>\$ 37,411,472</b>	<b>\$ 379,726</b>	<b>\$ 37,791,198</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 4,720,507		\$ 4,720,507
Accrued expenses	1,244,863		1,244,863
Accrued interest	135,251		135,251
Deposits	12,000		12,000
Due to other governmental fund	126,300		126,300
Due to sewer fund	4,399		4,399
<b>Total Liabilities</b>	<b>6,243,320</b>		<b>6,243,320</b>
<b>Fund Balances</b>			
Restricted	16,836,349	\$ 253,426	17,089,775
Committed	4,565,554		4,565,554
Assigned		126,300	126,300
Unassigned	9,766,249		9,766,249
<b>Total Fund Balances</b>	<b>31,168,152</b>	<b>379,726</b>	<b>31,547,878</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 37,411,472</b>	<b>\$ 379,726</b>	<b>\$ 37,791,198</b>

See Notes to the Financial Statements

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

**City of Shepherdsville, Kentucky**

June 30, 2025

<b>Fund Balance - Total Governmental Funds</b>	\$	31,547,878
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Amounts reported for Governmental Activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 52,203,331	
Less: accumulated depreciation	(12,417,454)	
Less: accumulated amortization	<u>(1,098,626)</u>	38,687,251

Deferred outflows of resources and deferred inflows of resources related to the City's proportionate share of CERS:

Deferred outflows of resources - CERS	9,712,220	
Deferred inflows of resources - CERS	<u>(9,853,958)</u>	(141,738)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds

Lease obligations	(1,205,964)	
Bonds payable, net	(29,308,818)	
Governmental notes payable	(1,839,613)	
Net pension liability	(22,357,490)	
Net OPEB liability	(889,586)	
Compensated absences	<u>(1,777,454)</u>	<u>(57,378,925)</u>

<b>Net Position of Governmental Activities</b>	\$	<u>12,714,466</u>
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See Notes to the Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

City of Shepherdsville, Kentucky

For the Year Ended June 30, 2025

	General Government Fund	Non-Major Municipal Aid Fund	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 3,740,109		\$ 3,740,109
Occupational taxes	18,093,244		18,093,244
Fees, license and permits	587,123		587,123
Insurance premium tax	1,839,351		1,839,351
Motor vehicle taxes	195,367		195,367
Telecommunications tax	77,660		77,660
Franchise taxes	134,880		134,880
Rent income	164,989		164,989
Other income	172,973		172,973
Intergovernmental revenues	1,809,198	\$ 262,270	2,071,468
Interest income	1,671,777	12,761	1,684,538
	<u>28,486,671</u>	<u>275,031</u>	<u>28,761,702</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
General government	4,340,390		4,340,390
Public safety, fire department	6,828,696		6,828,696
Public safety, police department	6,433,070		6,433,070
Public works	3,261,752		3,261,752
Municipal aid road expense	-	363,478	363,478
Capital outlay	18,746,898		18,746,898
Debt service			
Principal	1,318,560		1,318,560
Interest	1,324,093		1,324,093
	<u>42,253,459</u>	<u>363,478</u>	<u>42,616,937</u>
<b>Total Expenditures</b>			
<b>Revenues in Deficiency of Expenditures</b>	(13,766,788)	(88,447)	(13,855,235)
<b>Other Financing Sources</b>			
Proceeds from sale of capital assets	896,154		896,154
Opioid settlement proceeds	49,430		49,430
	<u>945,584</u>	<u></u>	<u>945,584</u>
<b>Total Other Financing Sources</b>			
<b>Net Change in Fund Balances</b>	(12,821,204)	(88,447)	(12,909,651)
<b>Fund Balances, as previously stated</b>	43,881,767	468,173	44,349,940
<b>Restatement (Note S)</b>	107,589	<u></u>	<u>107,589</u>
<b>Fund Balances, as restated</b>	43,989,356	468,173	44,457,529
	<u>43,989,356</u>	<u>468,173</u>	<u>44,457,529</u>
<b>Fund Balances, Ending</b>	<u>\$ 31,168,152</u>	<u>\$ 379,726</u>	<u>\$ 31,547,878</u>

See Notes to the Financial Statements

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**Net Change in Fund Balances - Total Governmental Funds** \$ (12,909,651)

Amounts reported for changes in net position in the  
Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets  
are depreciated over their estimated useful lives. This is the  
amount capital outlays exceeded depreciation  
expense in the current fiscal year.

Expenditures for capital assets	\$ 19,250,593	
Amortization expense	(395,387)	
Depreciation expense	<u>(1,146,628)</u>	17,708,578

In the statement of activities, the net gain (loss) on the  
sale/disposal of capital assets is reported, whereas in the  
governmental funds, only the proceeds from the sale of  
capital assets is recorded as a financial resource.  
Therefore, the change in net position differs from the  
change in fund balance by the cost of the assets  
sold/disposed less the related accumulated depreciation. (1,104,179)

Lease receivable and the corresponding deferred inflows  
is only reported in the Government-wide financial statements.  
The difference is an adjustment to net position. 17,978

Repayment of long-term debt principal is considered  
an expenditure in the governmental funds, but their  
repayment reduces long-term liabilities in the  
statement of net position. 1,314,921

Change in ROU lease liability (108,308)

Items reported in the Statement of Activities  
do not involve current financial resources and,  
therefore, are not reported as expenditures in the  
governmental funds.

These activities include:

Pension and OPEB expense related to changes in the net pension liability and the net changes in deferred inflows and deferred outflows related to CERS	359,110	
Changes in compensated absences	<u>(308,517)</u>	<u>50,593</u>

**Change in Net Position of Governmental Activities** \$ 4,969,932

See Notes to the Financial Statements

Statement of Net Position - Proprietary Fund

City of Shepherdsville, Kentucky

June 30, 2025

	<u>Sewer Fund</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 5,747,069
Restricted cash and cash equivalents	3,120,818
Accounts receivable, net	1,477
Unbilled receivables, net	460,787
Due from General Fund	4,399
Due from Louisville Water Company	<u>403,685</u>
<b>Total Current Assets</b>	<b>9,738,235</b>
<b>Noncurrent Assets</b>	
Net OPEB asset - CERS Non-Hazardous	41,490
Non-depreciable capital assets	1,744,223
Depreciable capital assets, net	<u>39,655,340</u>
<b>Total Noncurrent Assets</b>	<b><u>41,441,053</u></b>
<b>Total Assets</b>	<b>51,179,288</b>
<b>Deferred Outflow of Resources</b>	
CERS - Pension- Non-Hazardous	492,069
CERS - OPEB - Non-Hazardous	<u>149,083</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>641,152</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ <u>51,820,440</u></b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 175,024
Accrued expenses	67,867
Accrued interest	12,226
Accrued compensated absences	49,993
Bonds payable - due in one year	265,000
Notes payable - due in one year	<u>792,287</u>
<b>Total Current Liabilities</b>	<b>1,362,397</b>
<b>Non-current Liabilities</b>	
Accrued compensated absences	49,628
Net pension liability - CERS	1,434,799
Bonds payable - non-current	1,860,000
Notes payable - non-current	<u>9,536,754</u>
<b>Total Non-current Liabilities</b>	<b><u>12,881,181</u></b>
<b>Total Liabilities</b>	<b>14,243,578</b>
<b>Deferred Inflow of Resources</b>	
CERS - Pension - Non-Hazardous	255,613
CERS - OPEB - Non-Hazardous	<u>431,721</u>
<b>Total Deferred Inflows of Resources</b>	<b>687,334</b>
<b>Net Position</b>	
Net investment in capital assets	28,945,522
Restricted for debt service	314,902
Restricted for construction	2,805,916
Unrestricted	<u>4,823,188</u>
<b>Total Net Position</b>	<b><u>36,889,528</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ <u>51,820,440</u></b>

See Notes to Financial Statements

Statement of Revenues, Expenses and Changes  
in Net Position - Proprietary Fund

**City of Shepherdsville, Kentucky**

Year Ended June 30, 2025

	<b>Sewer Fund</b>
<b>Operating Revenues</b>	
Sewer service	\$ 3,742,576
Jim Beam service	2,086,320
Sewer connection	1,930,369
Other fees	6,624
<b>Total Operating Revenues</b>	7,765,889
<b>Operating and Maintenance Expenses</b>	
Personnel expenses	1,081,449
Personnel benefits	399,021
Sewer plant operating expenses	690,533
Repairs and maintenance	832,912
Training and travel	6,714
General administrative and supplies	223,097
Professional fees	135,946
Insurance	108,746
Other	423,519
Depreciation and amortization	1,878,646
<b>Total Operating and Maintenance Expenses</b>	5,780,583
<b>Operating Income</b>	1,985,306
<b>Non-operating Revenues (Expenses)</b>	
Interest expense	(574,273)
Interest income	316,328
Other income	16,235
<b>Total Non-operating Income (Expenses)</b>	(241,710)
<b>Change in Net Position</b>	1,743,596
<b>Net Position</b> , as previously reported	34,517,797
Restatement (Note S)	628,135
<b>Net Position, Beginning</b> , as restated	35,145,932
<b>Net Position, Ending</b>	\$ 36,889,528

See Notes to Financial Statements

Statement of Cash Flows - Proprietary Fund

City of Shepherdsville, Kentucky

Year Ended June 30, 2025

	<b>Sewer Fund</b>
<b>Cash Flow from Operating Activities</b>	
Cash received from customers	\$ 7,892,939
Cash payments made to suppliers for goods and services	(1,937,622)
Cash payments made to employees and professional contractors for services	<u>(1,969,095)</u>
<b>Net Cash Provided By Operating Activities</b>	3,986,222
<b>Cash Flows from Noncapital Financing Activity</b>	
Other miscellaneous income	16,235
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(3,122,668)
Principal paid on long-term debt	(1,012,409)
Interest paid on long-term debt	<u>(575,904)</u>
<b>Net Cash Used In Capital and Related Financing Activities</b>	(4,710,981)
<b>Cash Flows from Investing Activity</b>	
Interest income	<u>316,328</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(392,196)
<b>Cash and Cash Equivalents, Beginning</b>	<u>9,260,083</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 8,867,887</u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating income	\$ 1,985,306
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,878,646
Increases (decreases) In:	
Accounts receivable, net	479,511
Unbilled receivables, net	(210,354)
Due from Louisville Water Company	(142,107)
Accounts payable	(33,737)
Accrued expenses	21,673
Prepaid expenses	2,780
Accrued compensated absences	12,244
Net change in pension /OPEB related items	(80,130)
Due to/from General Fund, net	<u>72,390</u>
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 3,986,222</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>	
Cash and cash equivalents - unrestricted	\$ 5,747,069
Cash and cash equivalents - restricted	<u>3,120,818</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 8,867,887</u>

See Notes to Financial Statements

## **Notes to the Financial Statements**

Notes to the Financial Statements

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies**

Reporting Entity--The City of Shepherdsville, Kentucky (the "City") was incorporated December 11, 1793, and is located in Bullitt County, Kentucky. The City operates under a Mayor-Council form of government. The City's major operations include fire and police protection, parks and recreation, streets, sidewalks and roads maintenance and general administrative services. In addition, the City operates a sewer system.

The citizens of Shepherdsville elect a mayor and six (6) city council members.

The financial statements of the City include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the Government Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards, was determined based on the City's ability to significantly influence operations, select the governing body, and participate in fiscal management and the scope of public service. Based on the aforementioned oversight criteria, the reporting entity is confined solely to the operations of the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of Reporting--These financial statements of the City were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities ("GAAP"). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Government-Wide Financial Statements--The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three (3) categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements.

*Governmental Fund Financial Statements Measurement Focus and Basis of Accounting*

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, insurance premium tax, occupational tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fund Balance Classification--The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

- Nonspendable--Amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has no Nonspendable amounts.
- Restricted--Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant) grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain cash accounts as being restricted because their use is restricted by Kentucky Revised Statutes and/or a City Ordinance. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- Committed--Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned--Amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned--All amounts not included in the other spendable classifications. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

*Proprietary Fund Financial Statements Measurement Focus and Basis of Accounting*

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

*Budgetary Information, Compliance and Accountability*--Annual budgets are adopted on a basis consistent with Section 91 A .030 of the Kentucky Revised Statutes ("KRS") for the general, enterprise fund and the special revenue fund. Budgets for all government activities and business-type activities are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

On or before June 30th of each year, the Mayor must present the proposed budget to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than July 1st of the new fiscal year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the governing council. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the financial statements are as adopted by ordinances of the City.

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

Cash and Cash Equivalents--For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Restricted Assets--The use of certain assets of general government funds and business-type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as non-current if they are for the acquisition or construction of capital assets, for liquidation of long-term debt or other than current operations.

Accounts Receivable--Amounts due from private individuals, businesses, organizations or other government entities which pertain to charges for services rendered by the City departments are reported as receivables.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts.

These provisions are estimated based on an analysis for the age of the various accounts. The City records the amount of earned but unbilled revenues for the Sewer Utilities System enterprise funds.

Fund Financial Statements--The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Kentucky, uses fund accounting to ensure and reflect compliance with finance - related legal requirements, such as the City's general budget ordinances. All of the funds of the City of Shepherdsville, Kentucky can be divided into two (2) categories: governmental funds and a proprietary fund.

Governmental Funds--Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted in the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left over at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting* which gives the reader a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance City programs. The relationship between governmental activities (as reported in the statement of net position and the statement activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

The City of Shepherdsville, Kentucky adopts an annual budget for its general fund as required by the Kentucky Revised Statutes ("KRS"). The budget is a legally adopted document that incorporates input from the residents of the City, the management of the City and the decisions of the City Council about which services to provide and how to pay for the services. It also authorizes the City to obtain funds from other sources to finance these current period items. The budgetary financial statement provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison financial statement uses budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget documents. The financial statement shows four (4) columns: 1) the original budget as adopted by the City council, 2) the final budget as amended by the City council, 3) the actual resources, charges to appropriations and ending balances of the general fund, and 4) the differences or variance between the final budget and the actual resources and charges.

The City reports these funds:

Major Governmental Fund--General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Non-major Governmental Fund--Special Revenue Fund (Municipal Road Aid Fund) - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. This includes revenue received from the State of Kentucky and expenditures from this fund are restricted to additions and improvements to City roads.

Proprietary Funds--The City has one proprietary fund. The *Sewer Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for sewer operations. These funds are the same as those functions shown in the business-type activities in the statement of net position and statement of activities. This is a major fund.

Interfund Transactions--Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "due to / from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. The City's General Fund charges the Sewer fund a monthly administrative fee of \$10,000 considered to be the market value of personnel and other administrative expenses related to the administration of the Sewer Fund. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Interfund receivables and payables as of June 30, 2025, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 4,399
Sewer Fund	<u>4,399</u>	<u>-</u>
	<u>\$ 4,399</u>	<u>\$ 4,399</u>

Inventories--The City does not maintain inventories for general government operations or the business-type proprietary operations. Materials and goods for operations are purchased and expensed as needed.

Capital Assets--Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The City has established a threshold of \$5,000 for capitalization of depreciable assets. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year. When capital assets are disposed of, the cost and applicable accumulated depreciation/amortization are removed from the respective amounts, and the resulting gain or loss is recorded in operations.

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

Capital assets of the government are depreciated using the straight-line method over the estimated useful lives as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
Public infrastructure	15 - 50
Sewer system infrastructure	25 - 39
Buildings and improvements	20 - 39
General furniture and equipment	5 - 10
Sewer system equipment	5 - 25
Vehicles	5 - 10

Impairment Loss--General Government Activities and Business-type Activities revenues do not include impairment losses due to the elimination of equipment (net of accumulated depreciation) that was no longer in service for City use.

Infrastructure--The City has elected not to use the modified approach in accounting for its street network (pavement, drainage, sidewalks, and curbs). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized and depreciation is recognized over the estimated life of the capital asset. The City has not used a pavement rating system to rate street condition and quantifies the results of maintenance efforts.

Operating and Non-operating Revenues and Expenses--The business-type proprietary fund financial statements distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those that result from providing services associated with the principal activities of the respective fund. Primary examples of operating revenues are charges for wastewater treatment services of the City's utility system. Operating expenses include the cost of sales and services, administration costs and depreciation expenses.

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

Accrued Compensated Absences--Compensated absences represent vested and accumulated paid time off, compensatory time off, and vacation leave that is expected to be liquidated with expendable available financial resources is reported in the funds financial statements as expenditures and a fund liability of the governmental fund that will pay it only when the liability has matured. In the government-wide statement of net position, the total amount of vested or accumulated vacation leave is reported within the liabilities. Vested and accumulated paid time off, compensatory time off, and vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Paid time off has no maximum and it is not payable upon termination. An Employee may transfer up to one week of paid time off to another employee per fiscal year. Compensatory time may be earned at a rate of one-and-a-half hours for each hour of overtime worked. Compensatory time off may be accumulated up to 120 hours for city employees engaged in public safety, emergency response, or seasonal activity. All other employees may accumulate up to 40 hours. Vacation pay may be accumulated up to 200 hours. Earned vacation pay is fully payable upon termination of employment.

In FY25, the City implemented GASB Statement No. 101, *Compensated Absences*. The statement requires that liabilities for compensated absences, which include paid time off, compensatory time, and vacation pay, be recognized for leave that has not yet been used and leave that has been used but not yet been paid. The liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or other noncash means. Changes in the City's obligations related to compensated absences are as follows:

<b>Compensated Absences</b>	<b>July 1 2024 as restated</b>	<b>Change</b>	<b>June 30 2025</b>	<b>Current Portion</b>
Governmental activities	\$ 1,468,938	\$ 308,517	\$ 1,777,455	\$ 634,970
Business-type activities	87,377	12,244	99,621	49,993
	<u>\$ 1,556,315</u>	<u>\$ 320,761</u>	<u>\$ 1,877,076</u>	<u>\$ 684,963</u>

Net Position--Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

- Net investment in capital assets--This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position--This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position--This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Use of Estimates--The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Tax Revenue--Property tax (real property) rolls are prepared by the Bullitt County Property Tax Assessors office on property assessed as of the preceding January 1. The assessments are determined in accordance with Kentucky Revised Statutes. The property tax rates assessed for the year ended June 30, 2025 to finance the General Fund operations were \$0.1161 per \$100 valuation of real property and \$0.125 per \$100 valuation for motor vehicles. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date per KRS 134.015</u>
Due date for payment	Upon receipt
2% discount applies	To November 30
Face value payment period	To December 31
Past due date, 10% penalty	January 1
Interest charges	1.0% per month effective January 1

Real estate taxes are collected by the Bullitt County Sheriff's Office. Vehicle taxes are collected by the County Clerk of Bullitt County. Vehicle taxes are due in the birth month of the licensee.

Pensions and OPEB Plans--For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS Non-Hazardous") and County Employees Retirement System Hazardous ("CERS Hazardous") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

Deferred Outflows and Inflows of Resources--In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until that period.

The City has one item that qualifies as a deferred outflow of resources for CERS pension and OPEB contributions made subsequent to the pension plan's measurement date.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category; that item is the proportionate share of CERS amounts reported for the net difference between projected and actual earnings on pension and OPEB plan investments. This item is reported in the governmental balance sheet and on the statement of net position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Leases--Leases are contracts that convey control of a right to use another entity's nonfinancial asset (the underlying asset) for a period of time in exchange or exchange-like transaction. The City leases multiple vehicles.

Short-Term Leases

For leases with a maximum possible term of 12 months or less at commencement. The City recognizes expense/expenditure based on the provisions of the lease contract.

Leases Other than Short-Term

For all other leases, the City recognizes a lease liability and an intangible right-to-use lease asset in the applicable columns of the government-wide (governmental or business-type activities) and proprietary fund financial statements.

Measurement of Lease Amounts

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note A--Reporting Entity and Summary of Significant Accounting Policies--Continued**

amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Key Estimates and Judgments

Key estimates and judgments include how the City determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- The City generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known.
- The lease term includes the noncancellable period of the lease plus any additional periods covered by either the City or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Period in which both the City and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by the City to determine if they should be included in the measurement of the lease liability, including those payments that require a determination of whether they are reasonably certain of being made.

Remeasurement of Lease Amounts

The City monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured, and a corresponding adjustment is made to the lease asset.

**Note B--Deposits and Investments**

Deposits are carried at cost, which approximates market value. The City maintains deposit balances at First Harrison Bank, Republic Bank & Trust Company, and WesBanco Bank. Each bank is insured by the Federal Deposit Insurance Corporation up to \$250,000.

GASB No. 40, *Deposits and Investment Risk Disclosures*, requires the City to address the following risks related to its investments:

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note B--Deposits and Investments--Continued**

Credit Risk--The City's investment policy follows state statute Kentucky Revised Statute 66.480 that authorizes the City to invest in obligations of any agency of the U.S. Government; certificates of deposit or other interest-bearing accounts of any bank; bankers acceptances, commercial paper for banks rated in one of the three highest categories by a nationally recognized rating agency; securities issued by a state or local government; shares of mutual funds which meet certain characteristics.

Custodial Credit Risk--Custodial credit risk for cash and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. The City's policy dictates that all cash maintained in any financial institution be collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. At June 30, 2025, the City's bank balances of \$24,692,000 were exposed to custodial credit risk. The City's bank balances were fully collateralized as of June 30, 2025.

Interest Rate Risk--The risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk--The City places no limit on the amount it may invest in any one issuer. The City's financial advisor consults with the City Council and the Kentucky Department for Local Government to determine suitable investments.

**Note C--Receivables**

As of June 30, 2025, the receivables due the City consist of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Occupational tax	\$ 4,623,575	\$ -
Insurance tax	449,540	-
KLEFPF	19,919	-
Grant receivable	332,231	-
Other	703,753	-
Sewer customers	-	1,477
Louisville Water	-	403,685
Unbilled receivables	-	460,787
	<hr/>	<hr/>
<b>Total Receivables, net</b>	<b>\$ 6,129,018</b>	<b>\$ 865,949</b>

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note D--Capital Assets**

During the year ended June 30, 2025, the City reclassified \$146,983, \$27,043, and \$44,784 of assets previously reported as Buildings, City Parks, and Machinery & Equipment, respectively to \$184,983 of Furniture & Fixtures and \$33,826 of Infrastructure. The classification was made to better reflect the nature and use of the assets. The effect of this reclassification is reflected in the capital asset roll-forward table below. There was no impact on total capital assets or the net position of governmental activities. Prior period amounts have not been restated for this reclassification.

Capital asset activities for the governmental activities for the year ended June 30, 2025 are as follows:

<b>Governmental Activities</b>	<b>July 1 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30 2025</b>
Non-depreciable capital assets:				
Land	\$ 5,810,772	\$ -	\$ 501,184	\$ 5,309,588
Construction in process	2,196,723	16,374,016	-	18,570,739
<b>Total Non-depreciable Assets</b>	<b>8,007,495</b>	<b>16,374,016</b>	<b>501,184</b>	<b>23,880,327</b>
Depreciable capital assets:				
Building and improvements	5,996,607	61,118	-	6,057,725
City Park	442,216	-	-	442,216
Furniture and fixtures	344,335	-	4,969	339,366
Equipment	3,194,529	86,051	671,686	2,608,894
Vehicles	6,223,271	1,753,216	3,707,200	4,269,287
Infrastructure	11,751,191	472,497	-	12,223,688
Software	77,238	-	-	77,238
Right-of-use asset	1,946,837	503,695	145,942	2,304,590
<b>Total Depreciable Assets</b>	<b>29,976,224</b>	<b>2,876,577</b>	<b>4,529,797</b>	<b>28,323,004</b>
<b>Total Capital Assets</b>	<b>37,983,719</b>	<b>19,250,593</b>	<b>5,030,981</b>	<b>52,203,331</b>
Accumulated depreciation	15,051,686	1,146,628	3,780,860	12,417,454
Accumulated amortization	849,181	395,387	145,942	1,098,626
<b>Accumulated depreciation/amortization</b>	<b>15,900,867</b>	<b>1,542,015</b>	<b>3,926,802</b>	<b>13,516,080</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 22,082,852</b>	<b>\$ 17,708,578</b>	<b>\$ 1,104,179</b>	<b>\$ 38,687,251</b>

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note D--Capital Assets--Continued**

Depreciation expense was charged to governmental functions in the statement of activities as follows:

General Government	\$ 76,262
Fire	336,444
Police	198,414
Public Works	76,492
Infrastructure	<u>459,016</u>
<b>Total Depreciation Expense</b>	<b><u>\$ 1,146,628</u></b>

Capital asset activity for the business-type activities for the year ended June 30, 2025 are as follows:

<u>Business-type Activities</u>	<u>July 1 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30 2025</u>
Non-depreciable capital assets:				
Land	\$ 704,010	\$ -	\$ -	\$ 704,010
Construction in process	<u>359,695</u>	<u>680,518</u>	<u>-</u>	<u>1,040,213</u>
<b>Total Non-depreciable Assets</b>	1,063,705	680,518	-	1,744,223
Depreciable capital assets:				
Equipment	458,198	10,519	-	468,717
Vehicles	1,660,517	265,650	-	1,926,167
Wastewater treatment plant and lines	35,906,808	-	-	35,906,808
Building improvements	934,830	119,169	-	1,053,999
Pump strikes	915,579	2,046,812	-	2,962,391
Salt River Regional Interceptor	11,173,712	-	-	11,173,712
South Bullitt Regional Interceptor	11,089,249	-	-	11,089,249
Solids processing building	<u>3,090,325</u>	<u>-</u>	<u>-</u>	<u>3,090,325</u>
<b>Total Depreciable Assets</b>	<u>65,229,218</u>	<u>2,442,150</u>	<u>-</u>	<u>67,671,368</u>
<b>Total Capital Assets</b>	66,292,923	3,122,668	-	69,415,591
Accumulated depreciation	<u>26,137,382</u>	<u>1,878,646</u>	<u>-</u>	<u>28,016,028</u>
<b>Business-type Capital Assets, Net</b>	<b><u>\$ 40,155,541</u></b>	<b><u>\$ 1,244,022</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 41,399,563</u></b>

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note E--Lease Liability**

The City recognizes a lease liability at the commencement of the lease term. The lease liability is based on the present value of the lease payments expected to be paid during the lease term. The lease liability is discounted to the net present value by using a range of 3.06% to 4.93% implied interest rates. Lease terms range from 12 to 72 months.

At June 30, 2025, the City's lease obligations were as follows:

	<u>Beginning</u> <u>Lease Obligations</u>	<u>Increases</u>	<u>Reduction</u>	<u>Ending</u> <u>Lease Obligations</u>
<b>Total Leases</b>	\$ 1,097,656	\$ 503,695	\$ 395,387	\$ 1,205,964
<b>Implied Interest</b>			121,389	
<b>Annual Lease Payments</b>			\$ 516,776	

\* Annual Lease Payment = Reduction + Implied Interest

The future minimum lease payments for the above leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2026	\$ 483,026
2027	338,694
2028	321,280
2029	269,499
2030	89,599
<b>Total Future Lease Payments</b>	1,502,098
<b>Less Implied Interest</b>	(296,134)
<b>Total</b>	<u>\$ 1,205,964</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note F--Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2025 is as follows:

<b>Governmental Activities</b>	<b>July 1 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30 2025</b>	<b>Current Portion</b>
Bonds	\$ 30,155,417	\$ -	\$ 767,500	\$ 29,387,917	\$ 799,583
Bond Premium	188,949	-	8,312	180,637	8,312
Bond Discount	(271,687)	-	(11,951)	(259,736)	(11,951)
Bonds payable	30,072,679	-	763,861	29,308,818	795,944
Notes payable	2,390,673	-	551,060	1,839,613	577,176
Lease obligations	1,097,656	503,695	395,387	1,205,964	-
Net pension liability	21,850,292	507,198	-	22,357,490	-
Net OPEB liability	961,491	(71,905)	-	889,586	-
Compensated absences	1,468,938	653,278	344,762	1,777,454	634,970
<b>Governmental Activities, Long-Term Liabilities</b>	<b>\$ 57,841,729</b>	<b>\$ 1,592,266</b>	<b>\$ 2,055,070</b>	<b>\$ 57,378,925</b>	<b>\$ 2,008,090</b>
<b>Business-Type Activities</b>	<b>July 1 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30 2025</b>	<b>Current Portion</b>
Bonds	\$ 2,380,000	\$ -	\$ 255,000	\$ 2,125,000	\$ 265,000
Notes payable	11,086,449	-	757,408	10,329,041	792,287
Net pension liability	1,354,756	80,043	-	1,434,799	-
Net OPEB liability (asset)	(29,150)	(12,340)	-	(41,490)	-
Compensated absences	87,377	107,387	95,143	99,621	49,993
<b>Business-Type Activities, Long-Term Liabilities</b>	<b>\$ 14,879,432</b>	<b>\$ 175,090</b>	<b>\$ 1,107,551</b>	<b>\$ 13,946,971</b>	<b>\$ 1,107,280</b>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note F--Long-Term Liabilities--Continued**

Compensated absences are generally paid through the general and sewer funds. The general fund, was the fund with reductions in compensated absences during the fiscal year.

The net pension and OPEB liabilities - CERS pension and OPEB are generally paid through the general fund and sewer fund.

Interest expense of \$1,324,093 and \$574,273 are included in governmental activities and business-type activities, respectively, in the statement of activities.

Principal and interest requirements to retire the City's governmental activities long-term obligations are as follows:

**Governmental Activities - Notes Payable**

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 577,176	\$ 80,016	\$ 657,192
2027	604,568	52,624	657,192
2028	633,302	23,890	657,192
2029	24,567	110	24,677
<b>Total</b>	<b>\$ 1,839,613</b>	<b>\$ 156,640</b>	<b>\$ 1,996,253</b>

**Governmental Activities - Bonds Payable**

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 799,583	\$ 1,186,860	\$ 1,986,443
2027	834,583	1,154,877	1,989,460
2028	869,583	1,121,494	1,991,077
2029	906,667	1,086,710	1,993,377
2030	946,667	1,050,444	1,997,111
2031-2035	5,366,667	4,651,202	10,017,869
2036-2040	6,606,667	3,483,152	10,089,819
2041-2045	8,136,667	2,040,617	10,177,284
2046-2048	4,920,833	377,455	5,298,288
<b>Total</b>	<b>\$ 29,387,917</b>	<b>\$ 16,152,811</b>	<b>\$ 45,540,728</b>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note F--Long-Term Liabilities--Continued**

Principal and interest requirements to retire the City's Business-type activities long-term obligations are as follows:

**Business-type Activities - Bonds Payable**

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 265,000	\$ 81,289	\$ 346,289
2027	275,000	68,294	343,294
2028	290,000	54,574	344,574
2029	300,000	40,082	340,082
2030	315,000	24,720	339,720
2031-2032	680,000	8,400	688,400
<b>Total</b>	<b>\$ 2,125,000</b>	<b>\$ 277,359</b>	<b>\$ 2,402,359</b>

**Business-type Activities - Notes Payable**

<u>Amount to be Paid During Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 792,287	\$ 436,051	\$ 1,228,338
2027	829,698	401,439	1,231,137
2028	868,174	365,843	1,234,017
2029	910,418	326,779	1,237,197
2030	952,830	287,543	1,240,373
2031-2035	5,190,462	789,006	5,979,468
2036	785,172	15,931	801,103
<b>Total</b>	<b>\$ 10,329,041</b>	<b>\$ 2,622,592</b>	<b>\$ 12,951,633</b>

Bonds Payable--On May 31, 2006, the City entered into an agreement with Kentucky Rural Water Finance Corporation to issue \$5,385,000 in public project revenue bonds. The bonds are to be used to finance the expansion of the City's sewer lines. The bonds are secured by a pledge of the additional revenues generated by this expansion. These bonds begin to mature annually starting August 1, 2007 through August 1, 2031. The bonds carry a variable interest rate from 3.60% to 4.80%, depending on the amount of time to maturity. Interest payments are due semi-annually in February and August of each year.

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note F--Long-Term Liabilities--Continued**

Principal payments are due semi-annually in June and December. These bonds also require the City to make an annual payment of \$450 in August for trustee fees. There is no collateral assigned to the bonds. The City is required to establish a sinking fund for the segregation of funds to repay the bonds. 1/6 of the required amount to pay interest is to be deposited in the sinking fund by the due date of the interest payment. 1/12 of the required amount to pay principal is to be deposited in the sinking fund by the due date of the principal payment. The City is required to create a depreciation reserve account and segregate funds for the repair and replacement of property associated with the bonds. As of June 30, 2025, the sinking fund was fully funded with a balance of \$314,902.

On May 24, 2023, the City entered into an agreement with the Kentucky Bond Corporation to issue \$30,555,000 in financing program revenue bonds. The bonds are to be used to finance the costs of the acquisition, construction, installation, and equipping of improvements to a municipal park, renovations and improvements to the downtown district, a new aquatic center, and various other capital improvements in the community. These bonds begin to mature annually starting February 1, 2024 through February 1, 2048. The bonds carry variable interest rate from 4.00% to 4.13%, depending on the amount of time to maturity. Interest payments are due semi-annually in February and August of each year. Principal payments are due annually in February. These bonds also require the City to make monthly payments for trustee fees. There is no collateral assigned to the agreement. The City is required to make monthly principal and interest payments to a trustee charged with payment of the bonds.

Notes Payable--On June 1, 2002 the City entered into an agreement with Kentucky Infrastructure Authority ("KIA") to borrow up to \$8,187,728 for the upgrade and expansion of the City's sewer system. Proceeds from this loan were drawn down by the City to cover project construction cost. Upon completion of the project, or upon reaching the maximum amount to be borrowed; the loan will convert to an installment note bearing interest at rate of 1% per annum. Repayment will be semi-annually, (June 1 and December 1) over a period of twenty years. During the fiscal year ended June 30, 2004, the note converted to an installment note. The note is secured by service revenue of the business-type activity. The City is required to establish maintenance and replacement reserve account. \$40,000 is to be deposited in the reserve account by December 1 of each year until the balance in the reserve account is \$400,000. As of June 30, 2025, the reserve account is fully funded.

On September 1, 2009, the City entered into an agreement with the KIA to borrow \$3,000,000 of America Recovery and Reinvestment Act ("ARRA") fund for the South Bullitt Regional Interceptor Project. Proceeds from this loan were drawn by the City to cover project cost. Upon completion of the project the loan will convert to an installment note requiring semi-annual payments (June 1 and December 1) of principal. The loan has an interest rate of 3%, and a loan service fee of .20%. The note will be repaid over a twenty year term. The note contains a provision in which 52% (\$1,563,000) of the principal will be forgiven. The note is secured by service revenue of the business-type activity. The City is to establish a replacement reserve

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note F--Long-Term Liabilities--Continued**

account. \$7,500 is to be deposited in the reserve account by December 1 each year until a balance of \$75,000 is reached. As of June 30, 2025, the reserve account is fully funded.

On September 2, 2022, the City entered into an agreement with PNC Bank to borrow \$1,607,664 for the purpose of financing the purchase of a fire truck. The note has a 5 year term ending August 2027 and bears interest at 3.99%. Annual principal and interest payments of \$361,023 began on August 30, 2023. The note is collateralized by the equipment financed.

On October 28, 2008, the City entered into a 27-1/4 year fixed rate finance agreement with Kentucky League of Cities in the amount of \$18,000,000 to finance the construction of a new interceptor line for the City's sewer system. The agreement requires monthly payments in varying amounts, including interest at 3.86%, plus related fees. The final payment is due February 1, 2036. Total future minimum payments required by the agreement as of June 30, 2025 total \$10,024,958. The agreement is secured by property associated with the financed construction.

On July 14, 2023, the City entered into an agreement with WesBanco to borrow \$1,290,545 for the purpose of financing the purchase of a fire truck. The note has a 5 year term ending July 13, 2028 and bears interest at 5.55%. Annual principal and interest payments of \$296,168 began on August 14, 2023.

**Note G--Compliance with Debt Obligations**

The City is required to establish sinking fund accounts, depreciation reserve accounts and repair and replacements accounts in order to be compliant with some of the debt financing agreements. As of June 30, 2025 all required sinking funds were fully funded.

**Note H--Conduit Debt Obligation**

The City has issued Industrial Revenue Bonds to assist a private-sector entity in financing new industrial facilities deemed to be in the public interest. As the issuer, the City has no commitments related to debt service payments, as a result, the City did not recognize the conduit debt obligation as a liability.

**Note I--Fund Balances**

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2025, there was no nonspendable fund balance.

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note I--Fund Balances--Continued**

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2025, the City had \$253,426 restricted for the municipal aid fund and \$16,836,349 restricted for construction.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the City Council. The Council must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2025, the City had \$4,564,554 committed for construction.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. There were assigned fund balances of \$126,300 at June 30, 2025.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. At June 30, 2025, the City had \$9,766,249 of unassigned fund balance in the general fund.

The City considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the City has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Note J--Risk Management**

The City is exposed to various risk of loss to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. In addition to its general liability insurance, the City also carries commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note J--Risk Management--Continued**

The City is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the City would be covered by insurance and would not materially affect the City's financial position.

**Note K--Economic Dependency**

The City is not economically dependent on one or more major taxpayers or suppliers. However, a single commercial sewer customer accounted for approximately 27% of the sewer fund revenues.

**Note L--Tax Abatements**

The City enters into occupational tax abatement agreements with local businesses authorized by Kentucky Revised Statutes ("KRS") 154.25-010 and 154.24-150. The KRS established the Kentucky Jobs Development Authority ("KJDA") for encouraging the development and expansion of the service and technology industries in the Commonwealth of Kentucky.

For the fiscal year ended June 30, 2025, the City abated occupational license fees totaling \$95,082 under this program including the following occupational license fee abatement agreement exceeding 10% of the total amount abated:

- A one-half percent (.5%) to one percent (1%) occupational license fee abatement based upon qualifying wages to a distribution company. The amount of the abatement was \$72,575.

**Note M--Retirement Plans**

The City participates in the County Employees Retirement System ("CERS").

Plan Description--The City participates in the County Employees' Retirement System ("CERS"), a component unit of the Commonwealth of Kentucky, which is a cost-sharing multiple-employer defined benefit plan administered by the Kentucky Public Pension Authority ("KPPA"). CERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under the provisions of KRS Section 61.645, the Board of Trustees of KPPA administers CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note M--Retirement Plans--Continued**

This system consists of two plans - *Nonhazardous and Hazardous*. Each plan is a cost-sharing multiple employer defined benefit pension plan that covers all regular full-time members employed in nonhazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS.

Benefits Provided: Nonhazardous

	Tier 1 Nonhazardous Participation beginning prior to 9/1/2008	Tier 2 Nonhazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Nonhazardous Participation beginning on or after 1/1/2014
<b>Covered Employees:</b>	All full-time employees	All full-time employees	All full-time employees
<b>Benefit Formula:</b>	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
<b>Final Compensation:</b>	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months	No final compensation factor
<b>Benefit Factor:</b>	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
<b>Cost of Living Adjustment ("COLA"):</b>	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
<b>Unreduced Retirement Benefit:</b>	Any age with 27 years of service. Age 65 with 1 month of service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service
<b>Reduced Retirement Benefit:</b>	Any age with 25 years of service. Age 55 with 5 years of service. Reduced by 6.5% per year for first 5 years, and 4.5 for next 5 years before age 65 or 27 years of service	Age 60 with 10 years of service. Reduced by 6.5% per year for first 5 years, and 4.5% for next 5 years before age 65 of Rule of 87	No reduced retirement benefit

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

Note M--Retirement Plans--Continued

Benefits Provided: Hazardous

	<b>Tier 1 Hazardous Participation beginning prior to 9/1/2008</b>	<b>Tier 2 Hazardous Participation beginning 9/1/2008 through 12/31/2013</b>	<b>Tier 3 Hazardous Participation beginning on or after 1/1/2014</b>
<b>Covered Employees:</b>	All full-time employees	All full-time employees	All full-time employees
<b>Benefit Formula:</b>	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
<b>Final Compensation:</b>	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months of service credit	No final compensation factor
<b>Benefit Factor:</b>	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
<b>Cost of Living Adjustment ("COLA"):</b>	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly	No COLA unless authorized by the Kentucky General Assembly
<b>Unreduced Retirement Benefit:</b>	Any age with 20 years of service. Age 55 with 1 month of service	Any age with 25 years of service. Age 60 with 5 years of service	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations
<b>Reduced Retirement Benefit:</b>	Age 55 with 15 years of service. Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years before age 55 or 20 years service	Age 50 with 15 year of experience. Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years before age 60 or 25 years service	No reduced retirement benefit

Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note M--Retirement Plans--Continued**

Contributions--Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Employees contribute 5% and 8% of their salary for nonhazardous and hazardous employees, respectively, if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the Kentucky Retirement System Insurance Fund. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Members who began participating on or after September 1, 2008 and before January 1, 2014, are required to contribute 6% (Nonhazardous) or 9% (Hazardous) of their annual creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420).

For the year ended June 30, 2025, employers contributed 38.61% of Hazardous employees' creditable compensation and 19.71% of each Nonhazardous employees' creditable compensation as set by KPPA. For the year ended June 30, 2025, employer contributions for the City were \$2,962,676 (\$506,704 for nonhazardous and \$2,455,972 for hazardous). By law, employer contributions are required to be paid. The KPPA may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability--At June 30, 2025, the City reported a liability of \$23,792,289 for its proportionate share of the net pension liability (\$3,586,998 for nonhazardous and \$20,205,291 for hazardous). The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the City's proportion was 0.059979% for nonhazardous and 0.785585% for hazardous.

Pension Expense--For the year ended June 30, 2025, the City recognized pension expense of \$497,408 for nonhazardous and \$2,659,062 for hazardous.

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note M--Retirement Plans--Continued**

Deferred Outflows of Resources and Deferred Inflows of Resources--For the year ended June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CERS Non-Hazardous:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 173,617	\$ -
Changes in actuarial assumptions	-	162,062
Net difference between projected and actual earnings on investments	246,346	476,971
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>303,506</u>	<u>-</u>
	723,469	639,033
Contributions paid to CERS subsequent to the measurement date	<u>506,704</u>	<u>-</u>
	<u>\$ 1,230,173</u>	<u>\$ 639,033</u>

The amount reported as deferred outflows for City contributions subsequent to the measurement date of \$506,704 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Measurement Year Ending June 30**

2025	\$ 46,040
2026	178,449
2027	(88,655)
2028	<u>(51,398)</u>
	<u>\$ 84,436</u>

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note M--Retirement Plans--Continued**

CERS Hazardous:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,312,887	\$ -
Changes in actuarial assumptions	-	1,140,350
Net difference between projected and actual earnings on investments	1,117,670	2,196,077
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,596,026</u>	<u>-</u>
	4,026,583	3,336,427
Contributions paid to CERS subsequent to the measurement date	<u>2,455,972</u>	<u>-</u>
	<u>\$ 6,482,555</u>	<u>\$ 3,336,427</u>

The amount reported as deferred outflows for City contributions subsequent to the measurement date of \$2,455,972 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Measurement Year Ending June 30**

2025	\$ 266,197
2026	529,235
2027	87,802
2028	<u>(193,078)</u>
	<u>\$ 690,156</u>

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note M--Retirement Plans--Continued**

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service, Nonhazardous; 3.55% to 19.05%, varies by service, Hazardous
Investment rate of return	6.50%

The mortality table used for active members is a PUB-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Specialty Credit	10.00%	2.85%
Core Fixed Income	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
	<u>100.00%</u>	

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note M--Retirement Plans--Continued**

Discount Rate--The discount rate used to measure the total pension liability as of the Measurement Date was 6.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

Sensitivity Analysis--The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Non-Hazardous	\$ 4,624,227	\$ 3,586,998	\$ 2,726,372
Hazardous	26,012,201	20,205,291	15,464,267
	<u>\$ 30,636,428</u>	<u>\$ 23,792,289</u>	<u>\$ 18,190,639</u>

Pension Plan Fiduciary Net Position--Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan is administered by the Kentucky Public Employees' Deferred Compensation Authority. The plan, available to all City employees, permits them to defer a portion of their salary until future years.

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note N--Other Post-Employment Benefit Plans ("OPEB")**

The City participates in the County Employees Retirement System ("CERS").

Plan Description--The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance ("DEI") plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

This system consists of two plans - *Nonhazardous and Hazardous*. Each plan is a cost-sharing multiple employer defined benefit pension plan that covers all regular full-time members employed in nonhazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS.

Benefits Provided--For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions--For the fiscal year ended June 30, 2025, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The City's contractually required contribution rate for the year ended June 30, 2025, was 0% of annual creditable compensation for non-hazardous employees and 2.58% of annual creditable compensation for hazardous employees. Contributions to the OPEB plan from the City were \$142,688 (\$0 for nonhazardous and \$142,688 for hazardous).

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2025, the City reported a net liability of \$848,096 for its proportionate share of the net OPEB liability ((\$103,724) for non-hazardous and \$951,820 for hazardous). The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2025, the City's proportion was 0.059963% for nonhazardous and 0.784666% for hazardous.

OPEB Expense--For the year ended June 30, 2025, the City recognized OPEB benefit of \$200,003 for nonhazardous and \$549,081 for hazardous.

For the year ended June 30, 2025, the City reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

CERS Non-Hazardous:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,545	\$ 816,104
Changes in actuarial assumptions	93,987	73,188
Net difference between projected and actual earnings on investments	91,176	185,830
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>130,000</u>	<u>4,181</u>
	372,708	1,079,303
Contributions paid to CERS subsequent to the measurement date	<u>-</u>	<u>-</u>
	<u>\$ 372,708</u>	<u>\$ 1,079,303</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued**

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

**Measurement Year Ending June 30**

2025	\$ (293,849)
2026	(217,492)
2027	(200,929)
2028	5,675
2029	-
	<u>\$ (706,595)</u>

**CERS Hazardous:**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 257,747	\$ 3,483,879
Changes in actuarial assumptions	645,611	837,663
Net difference between projected and actual earnings on investments	566,875	1,164,987
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>655,015</u>	<u>-</u>
	2,125,248	5,486,529
Contributions paid to CERS subsequent to the measurement date	<u>142,688</u>	<u>-</u>
	<u>\$ 2,267,936</u>	<u>\$ 5,486,529</u>

Continued

Notes to Financial Statements--Continued

City of Shepherdsville, Kentucky

June 30, 2025

**Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued**

Of the total amount reported as deferred outflows of resources related to OPEB, \$142,688 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

**Measurement Year Ending June 30**

2025	\$ (899,583)
2026	(692,860)
2027	(1,132,805)
2028	(738,490)
2029	<u>102,457</u>
	<u>\$ (3,361,281)</u>

Actuarial Assumptions - The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%
Salary Increase	3.30% to 10.30%, varies by service, Non-hazardous; 3.55% to 19.05%, varies by service, Hazardous
Inflation rate	2.30%
Payroll Growth Rate	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Municipal Bond Index Rate	3.97%
Discount Rate -- Non-Hazardous	5.99%
Discount Rate -- Hazardous	6.02%

Continued

## City of Shepherdsville, Kentucky

June 30, 2025

**Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued**

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
U.S Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Specialty Credit	10.00%	2.85%
Core Fixed Income	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
	<u>100.00%</u>	

Single discount rates of 5.99% for the CERS non-hazardous insurance plan and 6.02% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2025. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.30% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2025. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Continued

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note N--Other Post-Employment Benefit Plans ("OPEB")--Continued**

Sensitivity of The City's Proportionate Share of The Net OPEB Liability To Changes In The Discount Rate--The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.99% for non-hazardous and 6.02% for hazardous, as well as what the City's proportionate share of the collective net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage- point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (4.99%)</u>	<u>Current Discount Rate (5.99%)</u>	<u>1% Increase (6.99%)</u>
Non-Hazardous	\$ 140,247	\$ (103,724)	\$ (308,855)
	<u>1% Decrease (5.02%)</u>	<u>Current Discount Rate (6.02%)</u>	<u>1% Increase (7.02%)</u>
Hazardous	\$ 2,630,386	\$ 951,820	\$ (450,947)

Sensitivity Of The City's Proportionate Share Of The Collective Net OPEB Liability To Changes In The Health care Cost Trend Rates--The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous	\$ (249,548)	\$ (103,724)	\$ 66,150
Hazardous	\$ (147,551)	\$ 951,820	\$ 2,236,746

OPEB Plan Fiduciary Net Position--Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note O--Contingencies**

Grants

The City received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City.

Litigation

The City is a party to various legal proceedings. The City management is of the opinion that ultimate disposition of those subsequent pending claims and legal proceedings will likely not have a material adverse effect, if any, on the financial condition of the City.

**Note P--Related Parties Transactions**

In a governmental entity, related parties include members of the governing body (city commissioners, etc.), board members, administrative officials (mayor, city clerk, etc.) immediate family members of the preceding individuals and affiliated governmental units that are not included in the financial statements as part of the reporting entity such as sewer systems. There are no related party transactions to be disclosed.

**Note Q--Risks Related to Concentrations**

Concentration of Revenues--Jim Beam has temporarily stopped production at the local facility effective January 2026. This will reduce the amount of discharge being processed by the City's sewer plant. The estimated revenue loss is between \$1.5 million and \$2.0 million annually. The production pause is expected to be one year.

Notes to Financial Statements--Continued

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note R--Change in Accounting Principles**

Effective for the fiscal year ended June 30, 2025, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*. This Statement establishes accounting and financial reporting guidance for compensated absences, such as vacation, sick leave, and other paid leave benefits, by refining the recognition criteria and measurement guidance for such obligations.

Under GASB 101, compensated absences are recognized as a liability when the leave is attributable to services already rendered, is not contingent on a future event, and the leave is probable of being used or paid. The implementation of GASB 101 did result in a material change to the City's beginning net position as of July 30, 2024. This change is reflected in Note S.

During the fiscal year ended June 30, 2025, the City implemented the provisions GASB Statement No. 102, *Certain Risk Disclosures*. GASB Statement No. 102 requires governments to disclose information about certain risks that could significantly affect the entity's ability to provide services or meet its obligations as they come due. These disclosures may include vulnerabilities arising from concentrations in revenue sources, investments, or other exposures, as well as information about constraints that could impact financial sustainability. The adoption of this statement did not have a material effect on the City's financial position or results of operations. However, it enhanced the transparency of the financial statements through expanded disclosures related to certain risk and vulnerabilities. The implementation of GASB 102 can be seen in Note Q.

**Note S--Changes to Beginning Balance**

During the fiscal year 2025, the City determined that accumulated depreciation should have been lower. Therefore, total assets were understated by \$1,293,072 for the year ended June 30, 2024. During the fiscal year 2025, the City also determined that the ending fiscal year 2024 compensated absences should have been higher due to the implementation of the new GASB standard. During the fiscal year 2025, the City determined that the recording of proceeds from the opioid settlement was not correct. Therefore, fund balance and net position were understated by \$107,589 for the year ended June 30, 2024. The effect of this change is shown on the table below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>Beginning Net Position</b> , as previously stated	\$ 8,335,037	\$ 34,517,797
<b>Error Corrections</b>		
Change due to the correction of accumulated depreciation	363,694	670,243
Change due to the correction of restricted proceeds received for the opioid settlement	107,589	-
<b>Change in Accounting Principle</b>		
Change due to new GASB standard for compensated absences	<u>(1,061,786)</u>	<u>(42,108)</u>
<b>Beginning Net Position</b> , as restated	<u>\$ 7,744,534</u>	<u>\$ 35,145,932</u>

**City of Shepherdsville, Kentucky**

June 30, 2025

**Note T--Future Implementation of GASB Pronouncements**

GASB has issued guidance for state and local governments that is not yet effective. The City is currently reviewing the provisions of the following pronouncements to determine the impact of implementation in future periods.

Statement No. 103, *Financial Reporting Model Improvement*--The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The effective date for adoption of this statement is fiscal year 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*--The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets, for example, leases and SBITA's. The effective date for adoption of this statement is fiscal year 2026.

Statement No. 105, *Subsequent Events*--The objective of this Statement is to improve the financial reporting requirements for subsequent events thereby enhancing consistency in their application and better meeting the information needs of financial statement users. It also clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized events.

Management of the City has not yet determined the effect, if any, that the adoption may have on its financial statements.

**Note U--Subsequent Events**

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through April 21, 2026, the date the financial statements were available to be issued.

**Required Supplementary Information**

Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual - General Fund

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

	<b>Budget</b>	<b>Actual</b>	<b>Variance with Budget</b>
<b>Revenues</b>			
Taxes, occupational, franchise, property, auto and insurance premiums	\$ 23,114,300	\$ 24,080,611	\$ 966,311
Licenses and permits	150,000	587,123	437,123
LKEFPF - Police	223,339	244,281	20,942
KBTCs - Fire	1,520,163	287,829	(1,232,334)
Rent income	131,622	188,989	57,367
Sewer administrative fees	90,000	99,208	9,208
Other revenues	32,500	1,314,092	1,281,592
Interest income	1,210,000	1,684,538	474,538
	<b>26,471,924</b>	<b>28,486,671</b>	<b>2,014,747</b>
<b>Expenditures</b>			
Administration	22,198,234	13,091,966	9,106,268
Fire Department	8,743,181	12,329,417	(3,586,236)
Police Department	7,780,438	9,677,058	(1,896,620)
Public Works	5,850,344	4,512,365	1,337,979
Debt service	-	2,642,653	2,642,653
	<b>44,572,197</b>	<b>42,253,459</b>	<b>7,604,044</b>
<b>Revenues in Deficiency of Expenditures</b>	<b>(18,100,273)</b>	<b>(13,766,788)</b>	<b>9,618,791</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	-	896,154	896,154
Opioid settlement proceeds	-	49,430	49,430
	<b>-</b>	<b>945,584</b>	<b>945,584</b>
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>945,584</b>	<b>945,584</b>
<b>Net Change in Fund Balance</b>	<b>\$ (18,100,273)</b>	<b>\$ (12,821,204)</b>	<b>\$ 5,279,069</b>

See Independent Auditors' Report

Schedule of City's Proportionate Share of Net Pension Liability  
 \*\*County Employees Retirement System (CERS)

City of Shepherdsville, Kentucky

June 30, 2025

Last Ten Fiscal Years\*\*

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Non-Hazardous</b>										
City's proportion of the net pension liability	0.059979%	0.052784%	0.052024%	0.047432%	0.048396%	0.048917%	0.047686%	0.046629%	0.043559%	0.044080%
City's proportionate share of the net pension liability	\$ 3,586,998	\$ 3,386,890	\$ 3,760,822	\$ 3,024,162	\$ 3,711,933	\$ 3,440,354	\$ 2,904,224	\$ 2,729,340	\$ 2,144,674	\$ 1,895,173
City's covered-employee payroll	\$ 2,042,302	\$ 1,806,181	\$ 1,797,283	\$ 1,715,899	\$ 1,490,325	\$ 1,486,443	\$ 1,299,724	\$ 1,238,867	\$ 1,158,229	\$ 1,032,188
City's proportionate share of the net pension liability as a percentage of its covered payroll	175.64%	187.52%	209.25%	176.24%	249.07%	231.45%	223.45%	220.31%	185.17%	183.61%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%
<b>Hazardous</b>										
City's proportion of the net pension liability	0.785585%	0.735107%	0.725606%	0.685277%	0.634349%	0.583574%	0.531895%	0.504763%	0.495995%	0.434030%
City's proportionate share of the net pension liability	\$ 20,205,291	\$ 19,818,158	\$ 22,141,557	\$ 18,243,165	\$ 19,125,803	\$ 16,120,037	\$ 12,863,651	\$ 11,292,955	\$ 8,510,985	\$ 6,662,849
City's covered-employee payroll	\$ 6,446,010	\$ 5,580,566	\$ 5,565,840	\$ 4,943,768	\$ 4,188,565	\$ 3,489,240	\$ 3,020,117	\$ 2,627,066	\$ 2,815,084	\$ 2,262,716
City's proportionate share of the net pension liability as a percentage of its covered payroll	313.45%	355.13%	397.81%	369.01%	456.62%	461.99%	425.93%	429.87%	302.34%	294.46%
Plan fiduciary net position as a percentage of the total pension liability	57.05%	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%

See Independent Auditors' Report

Schedule of Pension Contributions  
 \*\*County Employees Retirement System (CERS)

City of Shepherdsville, Kentucky

June 30, 2025

Last Ten Fiscal Years\*\*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Non-Hazardous</b>										
Contractually required contribution	\$ 506,704	\$ 476,674	\$ 420,564	\$ 390,882	\$ 287,633	\$ 290,092	\$ 241,101	\$ 188,200	\$ 172,822	\$ 143,852
Contributions in relation to the contractually required contribution	506,704	476,674	420,564	390,882	173,233	290,092	241,101	188,200	172,822	143,852
<b>Contribution Deficiency</b>	\$ -	\$ -	\$ -	\$ -	\$ 114,400	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 2,570,309	\$ 2,042,302	\$ 1,806,181	\$ 1,797,283	\$ 1,715,899	\$ 1,490,325	\$ 1,493,011	\$ 1,486,443	\$ 1,299,724	\$ 1,238,867
Contributions as a percentage of covered employee payroll	19.71%	23.34%	23.28%	21.75%	16.76%	19.47%	16.15%	12.66%	13.30%	11.61%
<b>Hazardous</b>										
Contractually required contribution	\$ 2,455,972	\$ 2,649,955	\$ 2,382,736	\$ 1,759,981	\$ 1,259,083	\$ 1,158,743	\$ 867,425	\$ 670,466	\$ 570,336	\$ 570,336
Contributions in relation to the contractually required contribution	2,455,972	2,649,955	2,382,736	1,759,981	784,347	1,158,743	867,425	670,466	570,336	570,336
<b>Contribution Deficiency</b>	\$ -	\$ -	\$ -	\$ -	\$ 474,736	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 6,722,637	\$ 6,446,010	\$ 5,580,566	\$ 5,565,840	\$ 4,943,768	\$ 4,188,565	\$ 3,854,767	\$ 3,489,240	\$ 3,020,117	\$ 2,627,066
Contributions as a percentage of covered employee payroll	36.53%	41.11%	42.70%	31.62%	25.47%	27.66%	22.50%	19.22%	18.88%	21.71%

See Independent Auditors' Report

Notes to the Required Supplementary Information – CERS Pensions

**City of Shepherdsville, Kentucky**

Year Ended June 30, 2025

**Changes in Assumptions and Benefit Terms from 2024 to 2025** --There were no changes noted.

**Changes in Assumptions and Benefit Terms from 2023 to 2024**-- Since the prior measurement date, annual salary increases were updated based on the 2022 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2022 Experience Study. The Inflation assumption increased 0.2% to 2.50% and the investment return assumption increased to 6.50%, up 0.25%.

**Changes in Assumptions and Benefit Terms from 2022 to 2023**--There were no changes noted.

**Changes in Assumptions and Benefit Terms from 2021 to 2022**--There were no changes noted.

**Changes in Assumptions and Benefit Terms from 2020 to 2021**--There were no changes noted.

**Changes in Assumptions and Benefit Terms from 2019 to 2020**--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

**Changes in Assumptions and Benefit Terms from 2018 to 2019**--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

**Changes in Assumptions and Benefit Terms from 2017 to 2018**--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%, and (iii) payroll growth assumption was reduced from 4.00% to 2.00%.

Continued

Notes to the Required Supplementary Information – CERS Pensions--Continued

**City of Shepherdsville, Kentucky**

Year Ended June 30, 2025

**Changes in Assumptions and Benefit Terms from 2016 to 2017**--There were no changes noted.

**Changes in Assumptions and Benefit Terms from 2015 to 2016**--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted, and (vi) the assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

**Period Covered by the Required Supplementary Information**--GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for ten fiscal.

See Independent Auditors' Report

Schedule of City's Proportionate Share of Net OPEB Liability  
 \*\*County Employees Retirement System (CERS)

City of Shepherdsville, Kentucky

June 30, 2025

Last Eight Fiscal Years\*\*

<b>Non-Hazardous</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
City's proportion of the net OPEB liability	0.0599630%	0.052782%	0.052015%	0.047421%	0.048382%	0.048904%	0.047684%	0.046629%
City's proportionate share of the net OPEB liability (asset)	\$ (103,724)	\$ (72,874)	\$ 1,026,523	\$ 907,851	\$ 1,168,278	\$ 822,543	\$ 846,621	\$ 937,403
City's covered-employee payroll	\$ 2,042,302	\$ 1,806,181	\$ 1,797,283	\$ 1,715,899	\$ 1,490,326	\$ 1,486,445	\$ 12,997,274	\$ 1,238,867
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	-5.08%	-4.03%	57.12%	52.91%	78.39%	55.34%	6.51%	75.67%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
<b>Hazardous</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
City's proportion of the net OPEB liability	0.784666%	0.734683%	0.725241%	0.685274%	0.634207%	0.583615%	0.531930%	0.504763%
City's proportionate share of the net OPEB liability	\$ 951,820	\$ 1,005,215	\$ 6,177,500	\$ 5,540,847	\$ 5,860,742	\$ 4,317,924	\$ 3,792,446	\$ 4,172,733
City's covered-employee payroll	\$ 6,446,010	\$ 5,580,566	\$ 5,565,840	\$ 4,943,768	\$ 4,188,565	\$ 3,489,237	\$ 3,020,117	\$ 2,627,066
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	14.77%	18.01%	110.99%	112.08%	139.92%	123.75%	125.57%	158.84%
Plan fiduciary net position as a percentage of the total OPEB liability	93.53%	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%

\*\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of OPEB Contributions  
 \*\*County Employees Retirement System (CERS)

**City of Shepherdsville, Kentucky**

June 30, 2025

Last Eight Fiscal Years\*\*

<b>Non-Hazardous</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ -	\$ -	\$ 60,928	71,553	\$ 70,940	\$ 71,546	\$ 78,187	\$ 63,062
Contributions in relation to the contractually required contribution	-	-	60,928	71,553	42,725	71,546	78,187	63,062
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,215</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
City's covered-employee payroll	\$ 2,570,309	\$ 2,042,302	\$ 1,806,181	1,797,283	1,715,899	\$ 1,490,326	\$ 1,299,724	1,299,724
Contributions as a percentage of covered employee payroll	0%	0%	3.37%	3.98%	4.13%	4.80%	6.02%	4.85%
<b>Hazardous</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 142,688	\$ 166,307	\$ 377,364	431,591	\$ 398,751	\$ 366,974	\$ 365,672	\$ 286,836
Contributions in relation to the contractually required contribution	142,688	166,307	377,364	431,591	248,403	366,974	365,672	286,836
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,348</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ #VALUE!</b>
City's covered-employee payroll	\$ 6,722,637	\$ 6,446,010	\$ 5,580,566	5,565,840	\$ 4,943,768	\$ 4,188,565	\$ 3,489,240	\$ 3,020,117
Contributions as a percentage of covered employee payroll	2.12%	2.58%	6.76%	7.75%	8.07%	8.76%	10.48%	9.50%

\*\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Notes to the Required Supplementary Information on OPEB Reporting – CERS

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**Changes in Assumptions and Benefit Terms from 2024 to 2025**--Since the prior measurement date, the discount rate for non-hazardous increased from 5.93% to 5.99% and increased for hazardous from 5.97% to 6.02%.

**Changes in Assumptions and Benefit Terms from 2023 to 2024**--Since the prior measurement date, annual salary increases were updated based on the 2022 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2022 Experience Study. The Inflation assumption increased 0.2% to 2.50% and the investment return assumption increased to 6.50%, up 0.25%.

**Changes in Assumptions and Benefit Terms from 2022 to 2023**--The single discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the Non-Hazardous Fund and from 5.05% to 5.61% for the Hazardous Fund.

**Changes in Assumptions and Benefit Terms from 2021 to 2022**--The single discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20% for the Non-Hazardous Fund and from 5.30% to 5.05% for the Hazardous Fund

**Changes in Assumptions and Benefit Terms from 2020 to 2021**--Since the prior measurement dated, the discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the Non-Hazardous Fund and from 5.69% to 5.30% for the Hazardous Fund. The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2020 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

**Changes in Assumptions and Benefit Terms from 2019 to 2020**--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

Continued

Notes to the Required Supplementary Information on OPEB Reporting – CERS--Continued

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**Changes in Assumptions and Benefit Terms from 2019 to 2020**--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

**Changes in Assumptions and Benefit Terms from 2018 to 2019**--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

**Period Covered by the Required Supplementary Information**--GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and Financial Reporting for Pensions, an Amendment of GASB Statement No. 45* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for eight fiscal years and will expand this supplementary information in future financial statements to cover additional periods as it becomes available.

See Independent Auditors' Report

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed In Accordance with  
*Government Auditing Standards***



**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed In Accordance with  
*Government Auditing Standards***

To the Mayor  
City of Shepherdsville, Kentucky  
Shepherdsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Shepherdsville, Kentucky (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 21, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, and 2025-03 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-004 and 2025-005 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-006.

### **City's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LBMC, PC*

Louisville, Kentucky  
April 21, 2026

**Independent Auditors' Report on Compliance for  
Each Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**



**Independent Auditors’ Report on Compliance for  
Each Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**

To the Mayor  
City of Shepherdsville, Kentucky  
Shepherdsville, Kentucky

**Report on Compliance for the Major Federal Program**

**Opinion on the Major Federal Program**

We have audited the City of Shepherdsville, Kentucky (the “City”) compliance with the types of compliance requirements described in the Office of Management and Budget’s (“OMB”) *Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2025. The City’s major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

**Basis for Opinion on the Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to the City's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Other Matters**

The results of our audit procedures did not disclose an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*L B M C, P C*

Louisville, Kentucky  
April 21, 2026

**Schedule of Expenditures of Federal Awards**

Schedule of Expenditures of Federal Awards

City of Shepherdsville, Kentucky

Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Direct/ Pass-Through Grantor's Number	Passed through to Subrecipients	Federal Expenditures
<b>U.S. Department of the Treasury</b>				
Pass Through Programs Office of State Budget Director				
Coronavirus State and Local Fiscal Recovery Funds	21.027	PON211221000000422	\$ -	\$ 2,215,485
<b>Total U.S. Department of the Treasury</b>			-	2,215,485
<b>U.S. Department of Homeland Security</b>				
Staffing for Adequate Fire and Emergency Response (SAFER) Grants				
	97.083	EMW-2021-FF-00743	-	1,270,868
<b>Total U.S. Department of Homeland Security</b>			-	1,270,868
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 3,486,353

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

**City of Shepherdsville, Kentucky**

Year Ended June 30, 2025

***Note A--Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal grant activity of the City of Shepherdsville, Kentucky (the "City") under programs of the federal government for the year ended June 30, 2025. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in the SEFA differ from amounts presented in, or used in the preparation, of the financial statements.

***Note B--Summary of Significant Accounting Policies***

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

***Note C--Indirect Cost Rate***

The City has elected not to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

## **Schedule of Findings and Questioned Costs**

Schedule of Findings and Questioned Costs

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**SUMMARY OF AUDIT RESULTS**

1. The Independent Auditors' Report expresses an unmodified opinion on whether the financial statements of the City of Shepherdsville, Kentucky (the "City") were prepared in accordance with generally accepted accounting principles.
2. Three significant deficiencies relating to the audit of the financial statements are reported. Three material weaknesses were identified and reported.
3. One instance of noncompliance material to the financial statements of the City, which was required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weakness or significant deficiencies in internal control over the major federal program are reported.
5. The auditors' report on compliance for the major federal award program of the City expresses an unmodified opinion.
6. An audit finding that is required to be reported under 2 CFR Section 200.516(a) of the Uniform Guidance relative to the major federal award program of the City was identified.
7. The City's major federal award program is as follows:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
U.S. Department of the Treasury	
Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee.

Continued

Schedule of Findings and Questioned Costs--Continued

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**Section II--Findings - Financial Statement Audit**

**Material Weaknesses**

**2025-001 Material Adjustments**

*Condition:* As part of the audit, we noted that generally accepted accounting principles were not always applied and that material adjustments were necessary for the preparation of the financial statements.

*Criteria:* The City's management is responsible for establishing and maintaining internal controls over the accounting of transactions and the preparation of financial statements.

*Cause:* The City's transactions were not always recorded in accordance with generally accepted accounting principles. Significant account misstatements went undetected and/or uncorrected by management. Subledgers were not properly reconciled at yearend.

*Effect:* The design of the internal controls over financial reporting limits the ability of the City to provide accurate financial information.

*Recommendation:* We recommend City management and financial personnel implement processes in their monthly closings that include the posting of depreciation expense and the reconciliation of the capital outlay activity with the capital assets ledgers. Also, there should be a process in place that ensures the completeness and accuracy of accounts receivable.

*Management's Response:* The City is evaluating implementing government accounting specific software that should allow the proper accounting at the fund level and track long term assets and liabilities.

**2025-002 Material Correction of an Error**

*Condition:* The 2025 audited financial statements included material prior period adjustments.

*Criteria:* The City's management is responsible for ensuring balances at year-end are accurate.

*Cause:* The City was not using the correct calculation report for the accumulated depreciation of capital assets. Additionally, restricted revenue was not being recorded for the opioid settlement.

*Effect:* The City was materially overstating accumulated depreciation and therefore, understating net position. The City was also understating revenue from the opioid settlement and therefore, understating net position.

Continued

Schedule of Findings and Questioned Costs--Continued

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**Section II--Findings - Financial Statement Audit--Continued**

*Recommendation:* The City should establish a process to ensure that accumulated depreciation is accurate. The City should also record the opioid settlement proceeds as revenue

*Management's Response:* The City will begin recording opioid funds received as revenue. The current financial software is designed to track expenditures for capital projects against approved budget and does not include non-cash items such as depreciation. We are aware that we need to implement government accounting software and we are evaluating options.

**2025-003 Timely Issuance of Audited Financial Statements**

*Condition:* The 2025 audited financial statements were issued 10 months after year-end.

*Criteria:* The City's management is responsible for issuing audited financial statements within the timeframe established by regulatory and compliance requirements.

*Cause:* The City continued to experience delays in its financial reporting and completion of audits since 2020 when the City faced staffing difficulties.

*Effect:* The City is not in compliance with State regulations and grant agreements.

*Recommendation:* The City should establish a process to ensure that the financial statement information is readily available and devote the resources necessary to complete the financial audit in a timely manner.

*Management's Response:* Timeliness and accuracy of financial information should improve as other recommendations are implemented.

**Significant Deficiencies**

**2025-004 Tax Roll and Collections**

*Condition:* During the audit, we discovered that the City did not have an adequate process to ensure the completeness and accuracy of the taxes receivable at year-end.

*Criteria:* The City must bill and collect taxes.

*Cause:* The system used by the City is based on a cash basis.

Continued

Schedule of Findings and Questioned Costs--Continued

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**Section II--Findings - Financial Statement Audit--Continued**

*Effect:* The City's taxes receivable balance may be understated and result in incomplete tax collections.

*Recommendation:* The City should look into adopting a system that allows management to properly maintain the tax roll and determine those revenues that have not been collected at year end in order to pursue collection.

*Management's Response:* The City is aware of the need to implement different software and we are evaluating options.

**2025-005 Review of Journal Entries**

*Condition:* During the audit, we found that the City did not have a proper review and approval process of journal entries.

*Criteria:* The City's management is responsible for establishing and maintaining internal controls over the accounting of transactions.

*Cause:* The City has 3 employees in the accounting department which can make it difficult to segregate duties and implement a consistent review process.

*Effect:* The design of the internal controls over journal entries limits the ability of the City to ensure accurate financial information.

*Recommendation:* City management and financial personnel should implement a process that requires review and approval every journal entry before being posted.

*Management's response:* The City has implemented a review process of journal entries before they are entered.

**2025-006 Capital Assets Management**

*Condition:* In the fiscal year 2025, a material adjustment to depreciation was recorded; and the capital outlay balances recorded throughout the year did not agree to the capital assets activity on the financial statements.

*Criteria:* The City's management is responsible for managing capital assets and ensuring these assets and related depreciation is properly reflected on the financial statements.

Continued

Schedule of Findings and Questioned Costs--Continued

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

**Section II--Findings - Financial Statement Audit--Continued**

*Cause:* The City did not record depreciation on a monthly basis and reconcile its fixed assets database with the general ledger.

*Effect:* The City's financial statements generated throughout the year were materially misstated as it relates to capital assets.

*Recommendation:* The City should establish a process to ensure the completeness and accuracy of the capital assets and related depreciation.

*Management's response:* The current financial system is not set up to record long term assets or liabilities such as fixed assets, or non cash items such as depreciation. We are aware of the need to implement financial software for government accounting and we are evaluating options.

**Section III—Findings and Questioned Costs—Major Federal Program Audit**

**2025-007 Reporting Noncompliance**

*Federal Award Program:* 21.027 – Coronavirus State and Local Fiscal Recovery Funds

*Federal Agency:* U.S. Department of the Treasury

*Award Number:* PON211221000000422

*Questioned Costs:* \$0

*Condition:* The Single Audit was not completed by the deadline.

*Criteria:* Single audit reporting packages must have a report date no later than nine months after the fiscal year-end. (2 CFR part 200 Subpart F).

*Cause:* The City continued to experience delays in its financial reporting and completion of audits since 2020 when the City faced staffing difficulties.

*Effect:* The City was not in compliance with federal regulations and guidelines for the single audit submission.

*Recommendation:* The City should implement controls for filing federal financial reports in a timely manner.

*Management's response:* Timeliness and accuracy of financial information should improve as other recommendations are implemented.

## Summary Schedule of Prior Audit Findings

## Summary Schedule of Prior Audit Findings

### City of Shepherdsville, Kentucky

Year Ended June 30, 2025

#### **2024-001 Material Adjustments**

Finding-- The City's transactions were not always recorded in accordance with generally accepted accounting principles. Significant account misstatements went on unidentified and/or uncorrected by management personnel. Subledgers were not properly reconciled at year-end.

Current Status--Repeat comment in 2025 (finding 2025-001).

#### **2024-002 Timely Issuance of Audited Financial Statements**

Finding--The City's management is responsible for issuing audited financial statements within the timeframe established by regulatory and compliance requirements. The 2024 audited financial statements were issued 10 months after year end. The City is not in compliance with State regulation and grant agreements.

Current Status--Repeat comment in 2025 (finding 2025-003).

#### **2024-003 Capital Asset Management**

Finding--In fiscal year 2024, a material adjustment to depreciation was recorded; and the capital outlay balances recorded throughout the year, did not agree to the capital assets activity on the financial statements. The City did not record depreciation on a monthly basis and reconcile its fixed assets database with the general ledger.

Current Status--Repeat comment in 2025 (See finding 2025-006).

#### **2024-004 Tax Roll and Collections**

Finding--The City must bill and collect taxes. During the audit, it was noted that the City lacks a process to ensure the completeness and accuracy of the taxes receivable at yearend. The system used by the City is based on a cash basis. The City's taxes receivable balance may be understated and result in incomplete tax collections.

Current Status--Repeat comment in 2025 (finding 2025-004).

Continued

Summary Schedule of Prior Audit Findings--Continued

**City of Shepherdsville, Kentucky**

Year Ended June 30, 2025

**2024-005 Reporting Noncompliance**

Finding--Single audit reporting packages must have a report date no later than nine months after the fiscal year-end (2 CFR Part 200 Subpart F). The audit was not completed by the deadline. The City continued to experience delays in its financial reporting and completion of audits since 2020 when the City faced staffing difficulties. The City was not in compliance with federal regulations and guidelines for the single audit submission.

Current Status-- Repeat comment in 2025 (finding 2025-007).

**Certification of Compliance**  
**Local Government Economic Assistance Program**

Certification of Compliance  
Local Government Economic Assistance Program

**City of Shepherdsville, Kentucky**

For the Year Ended June 30, 2025

The City of Shepherdsville, Kentucky hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



\_\_\_\_\_  
Mayor



\_\_\_\_\_  
City Clerk